

# **NORTH EAST EUROPEAN SOCIAL FUND FRAMEWORK 2007 – 2013**

## **CONSULTATION DRAFT**

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# 1. INTRODUCTION

## Summary of the 2009 review process and outcomes

1.1 The North East England Regional ESF Framework has been subject to review and updating in order that the Framework remains fit for purpose in the context of;

- The impact of the economic downturn;
- A changing regional labour market and economy;
- New national and regional policy context as set out in 'New Industry, New Jobs'
- The growth of key new growth and employment sectors, for example 'green' jobs in a new low carbon economy.

1.2 The Framework has been reviewed within the context and partnership structure of the North East Regional Employment and Skills Partnership, culminating in formal sign off by the Regional ESF Committee in December 2009.

1.3 Whilst the fundamental principles of the 2007-13 ESF Framework continue to apply, the key changes and shifts in emphasis resulting from the review include:

- Increased significance of the Regional Employability Framework as the mechanism for ensuring alignment of regional resources, reducing duplication and supporting the delivery of a consistent regional offer that meets the needs of the client groups
- Greater emphasis on tackling increasing youth unemployment and NEETS at 18 given the regions low base and worsening proportion of the NEET client group
- Supporting the transition between 14-19 services and those aimed at adults (18+) to address youth unemployment
- Continued focus on those most disadvantaged in the labour market;
- increase in investment at Level 3 and above, reflecting the need for the region to support skills development and progression at intermediate and higher level skills particularly in current and future growth sectors
- Strengthened emphasis on high level skills as the gap between demand for and availability of high level skills widens, particularly in key growth sectors
- Supporting the development of enterprising behaviours as an underpinning principle of the ERDF programme
- Learning the lessons of the ESF Framework Evaluation published in 2009.

1.4 The key changes in Programme Financial and output tables include;

Priority 1: No change

Priority 2: More equitable share of resource across measures, taking into account the need to support progression.

Basic skills from 36% - 33.3% of priority allocation;

Level 2 from 36% - 33.3%

Level 3+ from 23% - 33.3%

Priority 3 (TA): In the light of significant underspend, £2.9m of Priority 3 resource will be vired into Priority 1 to support employment and interventions supporting the NEET client group. This virement will also support the requirement to support National Offender Management Service (NOMS) provision which will transfer to regional programmes from 2010.

## **The NorthEast England ESF Programme:**

**1.5** The current value of the North East ESF Programme is £181m ESF; distributed across the three programme priorities:

|   |                |
|---|----------------|
| Priority 1: Extending Employment Opportunities          | = £117 million |
| Priority 2: Developing a Skills and Adaptable Workforce | = £ 64 million |
| Priority 3: Technical Assistance (TA)                   | = £680,000     |

**1.6** All ESF funding in the region will be channelled through Co-Financing Organisations (CFOs), who will procure and manage ESF contracts with providers.

## 2. THE REGIONAL POLICY CONTEXT

### Regional Economic Strategy

- 2.1 The **North East Regional Economic Strategy** (RES) sets the regional policy context. It articulates the regional ambition to achieve greater and sustainable prosperity for the people of the region. The RES, together with its detailed Action plan, sets out how the region's public, private, voluntary and community sectors will work together to transform the region through 'Supporting World Class Skills and Increased Economic Activity' as one of its key themes.
- 2.2 The RES and its Action Plan identify how the region must focus its investment and effort in order to respond to the distinct shift in the nature of future jobs in the region, and ensure that the people of the North East have the foundation, intermediate and higher level skills needed to succeed in our changing economy.
- 2.3 The RES and its Action Plan set out a number of priorities:
- to **reduce worklessness, social inequalities & deprivation** through an integrated approach to skills and employment support across the region:
  - the **Regional Employability Framework** (REF) is bringing together policy investment and coordinated delivery in a region-wide framework owned and shared by partners
  - the REF provides the mechanism for better joining up interventions aimed at those in work as well as those out of work to offer **seamless support for people moving into employment**, supporting skills development and learning **both before and in** work, particularly at foundation level
  - to shift the balance of intermediate skills provision from level 2 to level 3 ensuring individuals are **supported to progress up the 'skills escalator'** guaranteeing sustained employment and increased productivity
  - to drive up the demand from employers and individuals for **higher level skills** – particularly in the **key sectors** the region has identified through the RES as having the greatest potential to create new jobs and economic growth. These are: Chemicals and pharmaceuticals; Automotive; Commercial creative; Defence and marine; Energy; Food and drink; Health and social care; Knowledge intensive business services; Tourism and hospitality<sup>3</sup>. The priority sectors are also supported through the work of the Sector Skills Councils.
- 2.4 The RES also identifies a number of key transformational interventions that will drive structural reform and create new regional industries and new jobs. The seven regional Innovation **Connectors** set out in the RES will build on regional strengths in Design, New and Renewable Energy, Industrial Biotechnology, Digital and Software and Printable Electronics
- 2.5 The North East ESF programme will be a key vehicle in delivering on the ambition of the Regional Economic Strategy. It will:
- deliver activities through an integrated regional approach to employment and skills, particularly through the Regional Employability Framework
  - help to support and engage with the most disadvantaged and 'hard to help'

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<sup>3</sup> For State Aid reasons, not all RES priority sectors are eligible for ESF. Eligible sectors are: KIBS, Tourism & Hospitality, Commercial Creative, and some areas of Health & Social Care, Food & Drink, Chemicals & Pharmaceuticals and Energy.

groups in the region help to increase the numbers of people in the region progressing into sustainable employment and attaining intermediate and higher level skills.

## **New Industries New Jobs**

- 2.6** Since the publication of the first draft of the ESF Regional Framework, a new policy context has emerged. **The 'New Industry, New Jobs' (NINJ)** strategy sets out the government's approach to industrial activism. This is a wide ranging policy to facilitate economic recovery by targeting support for the development of key new activities. Critically, this includes alignment of key strategies and funding streams, including ESF.
- 2.7** The North East is well placed to benefit from the development and implementation of the NINJ policy. The policy targets the development of technology-based and export oriented industries, and a number of the specific technologies and industries are those where the region has particular strengths, namely:
- The regions **Innovation Connectors** are entirely consistent with the priorities set out in New Industries New Jobs
  - The region is one of only two nationally designated **Low Carbon Economic Areas**
  - **Offshore Wind** is a major opportunity for the region, with an estimated 70,000 new jobs to be created nationally over the next 15 years. Indications are that some 7500 additional jobs will be required in the sector regionally to 2019 covering production operatives, technicians, engineers and support staff.
  - In **Printable electronics**, the North East has been key to the development of new industrial opportunities for the UK. Developments are taking place for applications such as low carbon lighting, printable photovoltaics, and flexible displays, and the region is able to attract such activity and subsequent manufacturing.
  - In the region's **process industries**, future growth will be focused on rapid development of new activities based on new **bio-processing** and **bio-energy** technologies.
- 2.8** Detailed work is currently being carried out to determine the skills and employment requirements of these industries. This work will inform the nature and direction of ESF investment through this Framework and will underpin the regional Co-Financing plans.

## **Regional Employability Framework**

### **What is the Regional Employability Framework?**

- 2.9** The Regional Employability Framework (REF) was launched in 2006 in response to the region's high levels of worklessness. The REF is the key strategic framework which partners who are involved in strategic development and/or operational delivery are committed to tackling the issue of worklessness and improve employability across the North East.
- 2.10** The aim of the REF is to provide a single accessible network of employability support to meet the needs of both employers and individuals. It represents an approach that provides an opportunity, at all stages of adult life, to improve employability, gain access to sustainable employment and increase the economic activity rate.

- 2.11** The REF diagram detailed below covers the five stages of the customer journey from

first engagement through to sustainable employment with progression opportunities. The REF aims to join up and streamline this journey.



**2.12** In order to achieve the aim of the REF, partners and providers across all spatial levels have a fundamental role to play. They have identified and are committed to delivering the following strategic actions:

- Develop and support the implementation of a streamlined recruitment and support service for employers to encourage the recruitment and retention of individuals in work
- Enhance processes for progressing individuals to move from inactivity into sustainable employment
- Ensure providers understand the REF and work collaboratively to progress individuals into sustainable work
- Ensure that each stage of the Customer Journey is adequately funded and that funding methodologies encourage progression through the journey
- Improve communications on developments across the partner and provider networks engaged in improving employability

**Delivery of the NorthEast Regional ESF Framework within the context of the REF:**

**2.13** The REF underpins the delivery of the ESF Regional Framework through providing a framework for the focus of ESF investment, a set of agreed principles and a co-ordinated regional approach to the development and delivery of employment services. ESF investment plays a critical part in the regional service through addressing priority issues, gaps in provision or eligibility and enhancing mainstream provision.

**2.14** ESF investment should be consistent with the following REF delivery principles:

- ESF Priority 1 and Priority 2 activity is delivered within the context of a 'seamless' customer offer, demonstrating an understanding of where it fits within the Customer journey
- Reducing worklessness amongst priority target groups and those furthest away from the labour market (for Priority 1)
- Benefiting employers by providing access to a wider pool of job ready individuals, thus helping them to address their recruitment and skills needs - ESF funded delivery should both meet existing employer need and stimulate demand for future labour markets
- Improving joint planning of resources and services to ensure that the most effective use of ESF is made to add value to mainstream provision, avoid duplication and demonstrate alignment
- Providing customised support to meet individual need and support the transition through the Customer Journey
- Promoting joined-up services with clear referral and progression routes for individuals and partners.

### 3. THE NORTH EAST LABOUR MARKET

- 3.1 The Regional Economic Strategy identifies two crucial issues that must be tackled if the North East is to close the economic output gap with the rest of the UK. The first is economic activity, or **participation** rates. At 76.9%, economic activity rates in the North East are lower than the England and Wales average by two percentage points. Just under 30 per cent (28.6%) of inactive people of working age say they would like a job (suggesting potential additional labour supply of about 105,000 people), which could allow the employment rate to rise by 6.5 percentage points and in so doing exceed the England and Wales average.
- 3.2 While the North East has experienced a greater rate of decline in the number of people classed as **economically inactive** in comparison to England as a whole between 2005 and 2009, the proportion of people of working age who are economically inactive remains higher than the English average. Nearly one quarter of working age people in the North East are economically inactive (8.5% above the UK average). The highest economic inactivity rates in the region are in the 16-24 (33.3% in 2008/9) and 50-retirement age groups (31.4% in 2008/9). Worklessness, in particular the high proportion of Incapacity Benefit / Employment Support Allowance claimants, is arguably the biggest economic challenge facing the region. The Incapacity Benefit Claimant count is higher in the North East than nationally (in November 2008 it stood at 8.7% compared with 6.3% nationally). The majority of jobless people in the North East are not actively seeking work, indicating that they may need to overcome significant and/or multiple barriers to join or rejoin the labour market. For example, claimants of Incapacity Benefit / Employment Support Allowance outnumber JSA claimants by over two to one.
- 3.3 Average academic performance is below average in many schools across the region, although participation in learning for those aged 16-18 now matches the average across England. The proportion of 17 years engaged in learning matched the average across England in February 2009 – 83.8%, having increased by 3.8% since February 2008. Data from February 2009 indicate that the proportion of 16-18 year olds in the North East who are NEET stands at 9.7%, compared to 7% for England. This represents a convergence from February 2008; the North East figure has fallen from 10.3% while the England average has remained static.
- 3.4 The economic inactivity rate for people aged 50 to retirement age is 6.4 percentage points higher than the England average and to some extent reflects the process of industrial restructuring in the North East. This has meant that many older people who become economically inactive have low or out of date skills and difficulties re-entering the labour market. Within the North East there are almost 500,000 people aged between 50 and retirement age, who make up 19% of the population. The economic inactivity rate of those aged between 50 and retirement age (31.4%) is considerably higher than the average across England (25%).
- 3.5 Worklessness is by no means exclusively an ‘inner city’ issue in the North East. The **geographical pattern of worklessness** incorporates rural areas and former coalfield areas. The region’s industrial legacy means that there are relatively large settlements in rural areas which have high levels of unemployment and inactivity, but are disconnected from the areas where job growth is occurring. New, innovative ways of linking jobs with the people who need them are needed. Approximately 31% of the North East’s rural population live in the 30% most deprived localities, predominantly the former coalfield areas. 46% of the region’s rural population live in the 30% most deprived localities in terms of poor access to services.

- 3.6** The overall population and the working age population in the North East have been in long-term decline. In a reversal of this trend, the overall population is predicted to rise by 3.9% between 2008 and 2018. However, during this time, the working age population is predicted to reduce by 1.7%. In addition, the region has a greater proportion of the population of pension age or above than the England average (23.1% against 22%) and the population aged 60 or above is projected to increase from 23.1% to 25.9% by 2018. The proportion of the regional workforce aged between 50 and retirement age will increase between 2008 and 2018 (from 25.3% to 28%, or by 36,000 people), placing a premium on securing higher levels of labour market participation amongst this group. The region experienced an unexpectedly high inflow of migrant workers following the expansion of the European Union in May 2004. This migration was driven by economic forces and receded (and began to reverse) following the reduced value of sterling (against the Euro) and the economic downturn. The impact of migration on that scale is difficult to predict, but is invariably more immediate than demographic change within the existing population.
- 3.7** The region has a high number of (ex-) offenders. Approximately 4,500 prisoners are held in the region's eight prisons. Over three-quarters of that population will resettle in the North East. The regional Probation Service caseload (covering Northumbria, Teesside and County Durham Criminal Justice Areas) exceeds 12,500. In 2002 the Social Exclusion Unit highlighted that 58% of prisoners went on to re-offend within two years of being released from prison. Education, training and sustainable employment remain key factors in reducing re-offending in this region. Since 2006 the LSC has held responsibility for the Offenders Learning and Skills Service (OLASS). Approximately 40% of prisoners access OLASS whilst in prison. OLASS provision across the region is increasingly focussed on vocational learning that is closely aligned to the immediate and future needs of the North East economy.
- 3.8** The **qualifications profile** of the North East workforce is improving, but skill levels remain low in comparison to England averages, with a particular discrepancy in the proportion of the working age population with high level skills. The North East economy is characterised by a high proportion of low value-adding jobs, which require low level skills. Low skill levels will potentially constrain the development of high value-adding sectors in the North East, which will require highly skilled workers. At the same time, anecdotal evidence suggests that underemployment of highly skilled individuals (e.g. graduates employed in low skilled jobs) is occurring in the North East. The region has the lowest levels of economically active adults qualified to at least Level 4 (27.7% in the region compared to 32.6% for the UK). It is worth noting that Level 4 qualifications are high in some of the region's agrarian / remote rural areas.
- 3.9** Level 2 qualifications provide a crucial platform of skills for sustainable employability. The region has a greater proportion of economically active people with lower level qualifications (level 2 or below) and a lesser proportion with higher level qualifications (level 3 or above), compared to the UK average. In 2008, 45.8% of those economically active in the NE were qualified to level 3 or above, compared to 48.7% across the UK. In order to meet the RES objectives, the region needs to raise its qualification levels generally: not just to help people achieve Level 2, but to move people who already have Level 2 and 3 qualifications to higher levels. If the region's skills profile was to mirror the UK's, 60,655 (or 27%) of those with a Level 3 qualification would need to attain a Level 4 qualification, while 36,393 (or 15.7%) of those with a Level 2 qualification would need to acquire a Level 3 qualification.
- 3.10** The region's low skills levels act as a barrier to participation and a drag on productivity. The RES argues that significant work needs to be undertaken to encourage economic inclusion, and ensure that economically inactive people in the North East have easy access to appropriate training and are made aware of the benefits – and potential employment opportunities – that this training will deliver. Volunteering schemes, for example, can provide pathways to more specific training. Job opportunities are being created within parts of the North East that may not fall

within disadvantaged communities. It is important to ensure that people within disadvantaged communities are aware of these opportunities, and have the capability to travel to take them up. Similarly, in those rural areas where there is no critical mass to justify large scale provision of training, innovative methods of facilitating access to these opportunities need to be explored.

- 3.11** Some cultural barriers to employment – such as a reluctance to develop new skills, retrain or change career, or a negative attitude to some types of employment – persist in the North East. These cultural barriers vary between men and women, young and older people, and within ethnic groups and geographic areas. As the RES points out, addressing this is about raising aspirations and widening opportunities at the same time as challenging people's expectations.
- 3.12** The North East has a greater than average proportion of people of working age who are disabled. Nearly 22% of people of working age in the North East are disabled, compared to 18% for England. Disability is not always 'visible': for example, many people are economically inactive due to mental health problems.

### **The Impact of the Recession**

- 3.13** The global financial turbulence, which began with the credit crunch in 2007/8, has had a profound impact on economic conditions. The UK 'officially' entered recession<sup>4</sup> at the end of September 2008 and, following the release of figures for the end of September 2009, has at the time of writing experienced six consecutive quarters of negative growth. The impact of such a significant economic shock can not be overlooked and the consequences have affected the North East. Unemployment is one of the most predictable and damaging – both economically and socially – consequences of a recession. The impact on the region's labour market is summarised in this section.
- 3.14** The number of people claiming JSA in the North East has risen month-on-month since March 2008. The last time the claimant count figure was as high as August 2009 was April 1999. To give the current position further historical context, at the peak of the early-1990s recession, the claimant count peaked 70% higher and in the mid-1980s, almost 130% higher. A significant increase in the numbers claiming JSA presents an additional challenge to the regional labour market; one that it did not face in October 2004 or October 2007, where the claimant count reached historically low levels. At that time, those who were cyclically (or short-term) unemployed were often able to take advantage of a buoyant labour market to re-enter employment relatively swiftly and with a 'standard' package of information, advice and guidance (IAG).
- 3.15** Turning to the characteristics of new JSA claimants the proportions of those claiming JSA across different occupational groups have changed very little between 2005 and 2009. While the composition of claimants in the region may have changed relatively little, the absolute numbers – which remained relatively constant between 2005 and 2008 – increased considerably by August 2009. A decisive majority (over 61% in August 2009) of those claiming JSA are seeking work in basic occupational groups, with 11% seeking work in the professional occupational groups.
- 3.16** From a demand perspective, the proportion of advertised vacancies for professional occupational groups has increased significantly between 2005 and 2009. The ratio of vacancies to jobseekers is favourable in 2009 than in 2005 for those seeking employment in those groups.
- 3.17** Evidence demonstrates that the likelihood of someone re-entering work diminishes the longer they are unemployed. The recession has led to large increases in numbers of those claiming Jobseeker's Allowance. To date the majority of these

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<sup>4</sup> An economy officially enters recession after two consecutive quarters of negative growth.  
2007-13 NE ESF Framework Revised Nov 2009

have claimed for up to 12 months; an increase of almost 70% between 2008 and 2009, compared to an increase of 5.7% for those claiming for over 12 months. It is, therefore, vital that this group successfully return to work before their unemployment becomes a barrier in and of itself.

## The existing workforce and labour demand

- 3.18** The RES identifies the **productivity** of the existing workforce as the other crucial factor in helping the North East close the economic output gap with the rest of the UK: the RES estimates that 60% of this output gap is due to low productivity. The 2006 Leitch review also emphasises the need to encourage *continual* investment in skills to drive up productivity, and encourages those in the labour market to maintain and augment their skills to achieve greater job security and unlock progression opportunities.
- 3.19** Although reducing economic inactivity is crucial, the region's economy and labour market must be sufficiently robust to absorb and retain an increased supply of labour. Thus, as the RES points out, any work undertaken to increase levels of participation must look at both **demand and supply** issues together. Without measures to **stimulate demand** among employers in the North East, increasing the supply of highly skilled workers may lead to them relocating to other regions rather than raising the skills profile of the resident workforce. It will also limit the region's ability to attract highly skilled individuals. The North East must break out of this '**low skills equilibrium**' which, by definition, can only be achieved by increasing both the demand and supply for higher level skills. Without faster growth of demand for high level skills, it is likely that highly qualified people will leave the region because they tend to be both more demanding and more mobile.
- 3.20** The Government is committed to providing an entitlement for all adults to a free 'first' **Level 2** qualification. However, the North East's changing economic structure is such that many people already have qualifications but these either need updating or are no longer relevant to the growth sectors of the economy. There is a risk that the need to update the region's workforce skills might be constrained by the lack of funding for *supplementary* Level 2 qualifications. Empirical evidence to underline this is difficult to develop.
- 3.21** **Business start-up** and survival rates have improved in recent years, but net growth in the number of businesses still lags behind the England average. Levels of entrepreneurship are low in the North East, with just under one in 10 people in self-employment compared to one in 8 for Great Britain. **Self employment** or small scale enterprise / social enterprise activity can be a route into economic activity, but there is evidence that many people experience practical, financial and attitudinal barriers to following this route. Evidence also suggests that jobs created by firms that emerge in underperforming economies are more likely to displace existing jobs, leading to a limited impact on aggregate employment.
- 3.22** While there was an overall growth in people in employment of approximately 100,000 in the North East between 1999 and 2009, much of this growth has been in lower value-adding public and private service activities. Jobs in traditional industries that include high value-added jobs – particularly in manufacturing – have been declining as a result of low-wage overseas competition. As a result, the region's economy continues to exhibit a **low value-adding structure**.
- 3.23** The North East has a lower proportion of overall vacancies, compared to the average across England (2.3% compared to 2.8%). This is the lowest in England (along with the East Midlands). Of these vacancies, the proportion that is hard-to-fill

vacancies is in line with the average across England – 30%. The reasons why vacancies remain unfilled will vary. For example, difficulties in filling highly skilled vacancies are likely to be the result of skill shortages in the sector, while difficulties in filling vacancies in lower skilled jobs are likely to be due to low pay or less attractive working conditions. The skills shortage vacancy rate is marginally lower in the North East (20%) than in England (21%).

**3.24** Growth in the service industries such as knowledge intensive business services and health and social care, are expected to result in an **increase in the demand for intermediate and high level skills.**

**3.25** One North East commissioned a study in September 2009 to review the region's approach to sectors and industrial policy to inform investment and to build strategic understanding for the Integrated Regional Strategy. This study will report early in 2010. The study will support the work the region is doing on the New Industry New Jobs agenda and Industrial Activism, including informing skills and employment policy. The outcomes of this work should inform and underpin the co-financing plans to deliver this ESF Framework. By way of illustrating potential requirements, indications from analysis undertaken for the offshore wind sector are that some 7500 additional jobs will be required in the sector to 2019 covering engineers, production operatives, technicians, and support staff.

### **Future skills needs**

**3.26** Harmonising the skills provision available today with the employment opportunities of the future has been a perennial challenge for policymakers. The UK Commission for Employment and Skills (UKCES) produced a study of future skills needs in 2008. *Working Futures 2007-2017* forecasts that employment in professional groups will increase, which supports the view that the North East will require more highly skilled workers over the longer term.

**3.27** However, despite this employment increase in professional groups, the *Working Futures* report predicts that the employment structure of the North East will fall further behind that of England during the period 2007-2017. Compared to the average across England the North East has a similar proportion of the workforce employed in skilled groups, but a smaller proportion employed in professional groups and a larger proportion employed in the low-skill groups in 2008. In 2017, it is forecast that the differences observed in the current composition will remain, but the disparities between the North East and the England average will be more pronounced.

## **4. COMPLEMENTARITY WITH OTHER PROGRAMMES**

### **Funding Gaps and Additionality**

- 4.1** As a direct response to the economic downturn, funding partners developed and agreed a single Regional Skills and Employment Response Plan. This plan sets out collective priorities and interventions to address the impact of the economic downturn in four key priority areas; Resilience, Redundancy and Redeployment, Recruitment and Retention, and Readiness for the Upturn.
- 4.2** The funding partners have analysed mainstream provision and support in order to identify any gaps. The gap analysis has shown that the partnership have been able to plug a number of the gaps in provision by identifying flexibilities within existing services. However the analysis also identified that the Regional Employability Framework priority customer groups have been further disadvantaged following the downturn, and that new innovative ways of working with these groups are now required. The NEET (young people not in education, employment or training) groups, youths 18 -24 and those aged 50 and over have been particularly affected in the recession, and ESF should be flexible in addressing these areas of support to complement the mainstream offer wherever possible.
- 4.3** In ensuring the region is ready for the upturn, the region's growth sectors identified as part of the 'New Industries, New Jobs' agenda should be used to inform the employment and skills development activities supported by ESF. In priority 1, they should inform the areas needed for pre-employment routeways and Future Jobs Fund positions. Lower level skills training should link directly to priority sectors and build transferable skills that can be used within emerging sectors. Any emerging gaps in the mainstream offer of the Young Person's Guarantee are to be explored with a view to ESF being used to fill these gaps and complement existing services. Within Priority 2, emphasis needs to be put on ESF enhancing mainstream funding to drive re-skilling and upskilling, especially in growth sectors and areas where market failures exist. In particular, the region has relatively low levels of higher level skills and this directly impacts on its ability to meet its regional economic aspirations. Indications and early analysis of the skills requirements for the region's growth sectors highlights potentially extensive needs in terms of higher level skills, so this is an area of particular focus for ESF. For example, indications from analysis undertaken for the offshore wind sector are that some 7500 additional jobs will be required in the sector to 2019, of which some 3000 additional engineers will be needed.
- 4.4** The North East Regional Employability Framework (REF) creates the means of delivering a more co-ordinated approach to addressing complex employability issues across a number of agencies. The REF's objectives are to meet the needs of each individual and take the needs of employers into account.
- 4.5** A fundamental principle of the REF is to simplify arrangements for funding employability provision, and in the current climate, for responding to the recession. As far as possible, activity should be funded directly from the most suitable source, funding streams should avoid duplicating provision, and success should be clearly measurable in terms of progression of clients along the REF journey. It is important that the distance travelled by customers is recognised as key for preparing for the upturn.
- 4.6** The REF recognises ESF as flexible, regionally-managed funding which should address priority issues to enhance mainstream funding. The issues identified by REF partners where ESF can add particular value are highlighted in Priority 1 and Priority 2 in this document, and also form part of the funding gap analysis described above.

## **Complementarity between ESF and ERDF**

- 4.7** There is strong complementarity, but also clear demarcation between the regions ERDF and ESF Programmes.
- 4.8** The two main Priorities of the ERDF Programme are Enhancing and Exploiting Innovation; and Business Growth and Enterprise. Both Priorities aim to create new businesses, generate additional economic output (GVA) and increase participation by residents of disadvantaged areas in science and innovation.
- 4.9** There are clear opportunities for synergy between the ERDF and ESF programmes. Projects in both ERDF Priorities may incorporate ESF-style components that add value to their performance and help to overcome barriers to training, particularly where provision is not made under the ESF Programme. Examples include:

### **Actions in support of specific higher level skills linked to successful implementation of Innovation Connectors:**

- 4.10** Currently ESF regulation constrains the ability of ESF to support SMEs to develop high level skills. This is a key Feature of the ERDF Priority 1 priorities for investment in recognition of the direct link between high level skills, increased productivity and improved GVA
- 4.11** Action to support the stimulation of Enterprise:
- 4.11.1** The NorthEast England ERDF Programme includes c£150m allocation directly in support of Enterprise and Business Growth. In order to ensure complementarity between ESF and ERDF programmes, ESF will be focussed on the development of enterprising behaviours values and dispositions as a means to improve employability and raise aspiration. The ERDF Programme will focus on measures to stimulate entrepreneurial values and skills with the focus on self employment and business start up

### **Ensuring connections between Programmes**

- 4.12** Formal arrangements are in place for cross membership of both the ESF Regional Committee and the ERDF Programme Monitoring Committee. This mechanism recognises the need for sharing of information, best practice and ensuring the approaches of the two programmes are aligned. DWP and LSC CFOs are represented on the North East European Strategy Group where information on the ESF Operational Programme and other EU programmes including ERDF is exchanged on a regular basis. Membership of the group is cross sectoral and focuses on the 'added value' of the respective programmes and contributes towards ensuring that the region's programmes (or activity within broader programmes) are complementary and not conflicting.

### **Complementarity with the North East England RDPE Programme**

- 4.13** The aims of the RDPE programme are 'to deliver targeted support to land based businesses and rural communities in line with Defra's national strategy within the overall principles of sustainable development' The RDPE is designed to specifically target agriculture, land based businesses, rural micro-enterprises and rural communities.
- 4.14** A small proportion of the RDPE programme can be targeted on training and skills related activity (20% of Axis1)-. This is limited to supporting farmers and foresters and therefore does not constitute duplication with ESF.

- 4.15** Programme linkages are made through co-financing body representation on the RDPE skills steering group.

### **Business Support Simplification Programme**

- 4.16** The national Operational Framework for ESF makes clear that Government expects ESF to be aligned with the Business Support Simplification Programme, where appropriate. It is therefore important that where ESF funds initiatives which make an offer to or require engagement with existing or potential businesses these initiatives are designed from the outset to align with Business Link (as the primary access channel for business information, advice and guidance) and the Solutions for Business portfolio.

## **5. REGIONAL ESF PRIORITIES**

### **Priority 1: Extending Employment Opportunities**

#### **Aims and objectives**

- 5.1** The aim of Priority 1 is to increase employment and to reduce unemployment and inactivity, including reducing the number of young people not in education, employment or training (NEET). Unemployed and inactive people will be eligible for support, as will people who have made the transition to work from unemployment or inactivity. Priority 1 will help tackle barriers to work faced by disadvantaged groups (for example, older people, young people not in education, employment or training, people with disabilities and health conditions, people in rural areas, lone parents, migrants, ethnic minorities and people with low or no qualifications). It will also tackle low aspirations by encouraging enterprising behaviours in order to improve employability.
- 5.2** Priority 1 ESF interventions will directly contribute to the England Operational Programme and Regional Economic Strategy through ensuring that ESF investment is in line with the principles and priorities set out in the Regional Employability Framework (see diagram on page 6). This will ensure that individuals, particularly the most disadvantaged, are supported to secure and progress in sustainable employment.
- 5.3** This Framework does not lay down specific geographical guidelines for the targeting of ESF. However, it is important to note that unemployment and worklessness are problems facing rural and former coalfield areas as well as urban areas, and CFOs should ensure that activities take this into account. The specific barriers facing rural and former coalfield areas (eg poor transport links, weaker labour markets) should be addressed where appropriate.
- 5.4** Furthermore, the REF (which underpins this ESF framework) builds upon and reinforces both mainstream provision and key initiatives such as the City Strategy in Tyne and Wear and the Tees Valley Employability Framework Strategy, together with local practices driven by the Northumberland Employability and Work Service and the County Durham Economic Partnership.

#### **Improving the employability and skills of unemployed / inactive people**

##### **Key issues and challenges**

- 5.5** The North East faces the following issues and challenges:
- employment rate below the national average
  - economic inactivity and unemployment rate above the national average
  - disproportionately high rates of incapacity benefit / Employment Support Allowance claimants, particularly long term claimants (over 6 months)
  - disproportionately high rates of economic inactivity and unemployment among certain groups (e.g. the over 50s, non-white / BME groups)
  - Increased unemployment amongst 18 to 24 year olds
  - Rising proportions of young people not in education, employment or training (NEET) at age 18
  - disproportionately high rates of economic inactivity in specific geographical areas (the North East region comprises urban, former coalfield and rural areas which have different issues and needs)
  - low levels of entrepreneurship and business start up
  - low levels of aspiration

- a significant proportion of people who have difficulty in retaining employment after being unemployed or inactive
- addressing cultural and attitudinal barriers to employment, raising aspirations, tackling health issues that affect individuals' ability to work or train.
- A need for clearer information about the opportunities available to enable customers to make the right choices
- A need to respond to the Child Poverty agenda
- High levels of deprivation located in rural areas

## **Regional response**

**5.6** The North East will seek to utilise ESF to address these issues and challenges through placing emphasis on the progression of the individual along the journey into work.

**5.7** ESF projects will be expected to demonstrate alignment with the Regional Employability Framework and to address the following issues and challenges:

- ensuring that solutions are tailored to and appropriate to local spatial conditions (for example within City Regions, former coalfields or rural areas in terms of availability, quality and choice of provision) and where appropriate that ESF links into and adds value to local initiatives
- encouraging projects that aim to engage with the 'hardest to help' groups
- supporting projects that provide life skills, appropriate vocational training, and which encourage enterprising behaviours to improve employability
- encouraging projects that provide effective and integrated job placement and aftercare
- encouraging projects that support parental employment
- encouraging projects that demonstrate inter agency working, in order to better join up the service offer for individuals
- placing strong emphasis on employer engagement and demand, particularly through the development of 'routeways', which will involve employers, providers and key agencies working together to provide opportunities for individuals to access entry level jobs and Apprenticeships, including pre-employment training (giving attention to the recruitment needs of clusters for SMEs). It will be important that agencies demonstrate close working on 'routeways' in order to maximise the added value of ESF.
- supporting and adding value to the IES (Integration of Employment and Skills) agenda, for example the Adult Advancement and Careers Service
- providing post-employment support for the newly employed
- recognising the value of progression (i.e. progress towards labour market entry) as a 'soft' outcome and encouraging co-financing organisations to demonstrate how distance travelled by individuals can be effectively measured.

## **Resource allocation**

**5.8** The majority of Priority 1 funding (74.5%) will be allocated to unemployed and/or economically inactive people of working age.

**5.9** In addition, Technical Assistance funding which has been transferred into programme delivery for the second half of the programme will be allocated to Priority 1, focusing on activity delivered by the National Offender Management Service (NOMS) in the North East. This reflects the role of NOMS as a new regional co-financing organisation (previously national contractor) and the needs of offenders and ex-offenders. This will be split equally between support for adults

into employment and for NEETS. Given that this funding will be assisting those who are amongst the hardest to help back into the labour market at a time of difficult economic conditions, it is not proposed to increase outputs for the programme.

## **Indicative activities**

**5.10** The kind of activities that ESF may support includes the following (this list is not exhaustive):

- measures to engage the 'hardest to reach' groups (particularly those on Incapacity Benefit / Employment Support Allowance or otherwise economically inactive), including community outreach programmes, and increased access to internet employability and skills services
- measures to tackle the cultural and/or practical barriers to learning faced by people who are unemployed or inactive (e.g. childcare, transport, etc)
- projects that address barriers to work faced by parents, working with other agencies (such as housing, children's services etc) to provide complementary services
- volunteering activities to mobilise inactive and/or disengaged groups and to facilitate their integration into the labour market
- measures to ensure early identification of needs, including individual action plans and personalised services
- job search help, advice and guidance
- Skills for Life (including the basic skills of literacy and numeracy, ICT skills, ESOL and financial literacy skills)
- vocational training and qualifications for employability
- work experience placements (including individuals with higher level skills, e.g. recent graduates, linking with 'talent' initiatives in the region)
- initiatives to develop the employability and skills of (ex) offenders to facilitate labour market entry and reduce re-offending
- measures to support economic activity amongst people with a disability, including people with mental health problems
- measures to join up and embed enterprising behaviours with employability and skills programmes. This includes activities such as innovation, pro-activity, creativity, risk management, organisation, responding to change, self-reliance, financial capability, team work, communication, literacy and numeracy and problem solving and to tackle the attitudinal and/or practical barriers they may face
- measures to ensure retention in employment among vulnerable people who have made the transition to work, or among older workers or people who develop health conditions whilst in employment
- supporting and enhancing the work of Local Employment Partnerships, particularly in relation to assisting people into work
- measures to support unemployed individuals with higher level skills
- other measures consistent with the principles of the Regional Employability Framework in supporting beneficiaries to progress along a seamless journey into sustainable employment.

## **Targeting**

**5.11** ESF output indicators include the percentage of people from the following target groups: people who are unemployed or inactive; women; people with disabilities or health conditions; lone parents; people aged over 50; and people from ethnic minorities.

- 5.12** Activities should also take account of the needs of people who are furthest away from the labour market, those who experience multiple disadvantages or barriers, or who face other forms of discrimination in the labour market.
- 5.13** Geographical targeting of ESF may be appropriate in response to recognised or emerging geographical need (for example, a high proportion of people on incapacity benefit / Employment Support Allowance in a particular locality). ESF could be used to support area based strategies and initiatives designed to tackle worklessness in urban or rural areas, linking where appropriate to Local and Multi Area Agreements. Activities should also link where possible to the region's Innovation Connectors and to support the needs of growth sectors identified through the 'New Industry, New Jobs' agenda, including the region's Low Carbon Economic Area.

## **Work with those 'not in education, employment or training (NEET) aged 14-19**

### **Key Issues and challenges**

- 5.14** The North East faces the following issues and challenges:
- disproportionately large numbers of people not in education, employment, or training
  - a significant proportion of young people whose backgrounds have not been conducive to a strong work ethic, high personal aspirations and motivation.
  - Increasing proportions of older NEETS (aged 17-19)
  - Increasing levels of youth unemployment (aged 18-24), impacting on the NEET agenda
  - Disproportionately high numbers of 16-18 year olds in rural areas not accessing services

### **Regional response**

- 5.15** The North East will seek to utilise ESF to address these issues and challenges through:
- supporting the transition between 14-19 services and those aimed at adults (18+) to address youth unemployment
  - encouraging joint working between schools and other agencies to identify those who are at risk of becoming NEET and initiating early collective preventative action
  - encouraging joint working between post-16 providers and other agencies to identify those who are at risk of becoming NEET and initiating early collective preventative action
  - supporting the aim of the Regional Economic Strategy to change the perceptions and raise the aspirations of young people through a greater awareness of the region's learning, job and career opportunities; particularly highlighting job opportunities in the key regional growth sectors
  - supporting the Regional Economic Strategy to increase levels of enterprising behaviours among young people through ESF supported activity.

### **Resource allocation**

- 5.16** Within Priority 1, 23% of funding will be allocated to activities that support young people aged 14-19 who are not in education, employment or training, or who are at risk of becoming NEET.
- 5.17** In addition, Technical Assistance funding which has been transferred into programme delivery for the second half of the programme will be allocated to Priority 1, focusing on activity delivered by the National Offender Management

Service (NOMS) in the North East in recognition of the significant needs of offenders and ex-offenders. This will be split equally between support for adults into employment and for NEETS. Given that this funding will be assisting those who are amongst the hardest to help back into the labour market at a time of difficult economic conditions, it is not proposed to increase outputs for the programme.

### **Indicative activities**

**5.18** The kind of activities that ESF may support includes the following (this list is not exhaustive):

- measures to tackle the barriers to learning faced by young people who are NEET (e.g. childcare for young parents, transport, community outreach programmes, internet employability and skills services etc)
- initiatives to help raise awareness of the world of work, develop enterprising behaviours and values among young people (from the age of 14), including work experience placements and volunteering
- measures to join up and embed enterprising behaviours with employability and skills programmes for young people who are NEET or at risk of becoming NEET. This includes activities such as creativity, risk management, organisation, responding to change, self-reliance, financial capability, team work, communication, literacy and numeracy and problem solving
- activities to identify 14-16 year olds in schools and in post-16 providers who are at risk of becoming NEET and to support them into education, training or employment
- activities to strengthen the linkages and transition points between 14-19 and adult customer journeys, following REF principles, so as to provide a stronger and more effective support service to 17-19 year olds
- Measures that encourage and enhance inter-Agency working in order to increase seamless customer-focused support to young people who are NEET or at risk of becoming NEET.
- measures to engage employers and individuals in 'pre-employability routeways'.
- initiatives to develop the employability and skills of young offenders to facilitate labour market entry and reduce re-offending
- Supporting innovative local activities as part of Young Persons Commissioning Plans to reduce the risk of young people becoming NEET.
- other measures that are consistent with the principles of the Regional Employability Framework in supporting beneficiaries to progress along a seamless journey into training and/or sustainable employment and on to 'adult' provision.

### **Targeting**

**5.19** Output indicators include the number and percentage of participants aged 14-19 who are NEET or at risk of becoming NEET. In particular, and in line with the REF focus in this area, particular attention should be paid to NEETs aged 17-19.

**5.20** Results indicators include the number and percentage of 14-19 year old NEETs (or 'at risk of becoming NEET') who are in education, employment or training on leaving.

**5.21** Geographical targeting of ESF may be appropriate in response to recognised or emerging geographical need.

### **Community Grants**

**5.22** This section sets out the scope of the support for Community Grants.

## **Key Issues and challenges**

**5.23** The North East faces the following issues and challenges:

- a need for increased capacity to mobilise unemployed and inactive people and support their integration into the labour market.

## **Regional response**

**5.24** The North East will utilise ESF to address these issues and challenges:

- through the Operational Programme and Regional Employability Framework, recognising the role of the voluntary and community sector as a vital link to connect those most disadvantaged and hard to help with ESF funded and mainstream support services
- by placing emphasis on collaboration and partnership to avoid duplication and fragmentation of provision.

## **Resource allocation**

**5.25** Up to 2.5% of Priority 1 funding will be allocated for community grants, which will fund voluntary and community sector activity. The maximum threshold for community grants is £12,000.

## **Indicative activities**

**5.26** Indicative activities are likely to comprise small grants for voluntary and community organisations to support their capacity to mobilise unemployed and inactive people who are disadvantaged or excluded; and to facilitate their integration into the labour market.

## **Targeting**

**5.27** Organisations that have a demonstrable track record in engaging ESF target beneficiary groups, or that can clearly demonstrate capacity and capability to do so, will be considered eligible.

**5.28** Partners will seek to ensure complementarity between Community Grants activity and activity supported under the One North East Third Sector Capacity Fund.

## **Priority 2: Developing a skilled and adaptable workforce**

### **Aims and objectives**

**5.29** ESF Priority 2 will focus on developing the skills of people who are in work (including those who have moved into employment having received support under Priority 1).

**5.30** Priority 2 interventions will directly contribute to the England Operational Programme and the Regional Economic Strategy through:

- the Regional Employability Framework: strengthening the links between support for those not in work (ESF priority 1) and support for those in work (ESF priority 2), by providing a continuum of support
- supporting individuals to progress up the 'skills escalator', particularly in placing emphasis on progression from NVQ level 2 to levels 3, 4 and above
- ensuring provision is linked to evidenced employer demand and, where possible, supports the skill needs of those RES priority sectors that are eligible for ESF, regional growth sectors identified through the 'New Industry, New Jobs' agenda (including the region's Low

- Carbon Economic Area), and the region's Innovation Connectors
- developing more adult provision where this better meets the needs of employers (at all levels),
- activities that support a higher success rate in delivery of mainstream programmes, activities that promote progression, or enhancements that generate and support additional entry onto these programmes.
- Deepening and extending the impact of skills brokerage on delivery of ESF priorities

## Basic Skills /Skills for Life

### Key issues and challenges

5.31 The North East faces the following issues and challenges:

- Although the overall proportion of people with qualifications below Level 2 is above the average across England, the proportion of people in the North East who are **economically active** but have qualifications below Level 2 is now below the average across England;
- However, this trend is not uniform across the region. Therefore, ESF investment should recognise the spatial variance that remains within the region.

### Regional response

5.32 The North East will utilise ESF to address these issues and challenges:

- through the Regional Employability Framework, recognising the role of the voluntary and community sector and Union Learning Representatives as a vital link to connect disadvantaged and 'hard to help' individuals with ESF funded and mainstream support services
- by placing a strong emphasis on collaboration and partnership to avoid duplication and fragmentation of provision
- by placing an equal emphasis on the need for numeracy skills
- by focusing attention on those in greatest need of assistance with basic skills. These are likely to include key vulnerable groups such as people with low level of English speaking / writing skills, people whose first language is not English and people with learning difficulties.

### Resource allocation

5.33 33.3% Priority 2 funding will be allocated to this category. This support will be available to all employees (regardless of the size of the employer).

### Indicative activities

5.34 The kind of activities that ESF may support includes the following (this list is not exhaustive):

- Skills for Life provision (including basic literacy and numeracy skills, ICT skills and ESOL)
- provision of information, advice and guidance to employers (e.g. to help them encourage workers to improve their basic skills)
- activities that support or enhance the work of Union Learning Representatives or Information and Guidance providers in reaching target groups in the workforce.

### Targeting

**5.35** ESF investment will be targeted at employees with the greatest need of support in order to ultimately move towards their first level 2 qualification: for example, vulnerable groups such as people on low incomes, those with low level English speaking/writing skills, those for whom English is not the first language and those with learning difficulties. ESF investment should recognise the spatial variance that remains within the region. All employers regardless of size will be considered eligible.

## **Level 2**

### **Key issues and challenges**

**5.36** The North East faces the following issues and challenges to:

- increase the proportion of individuals holding a Level 2 qualification, recognised as a platform for sustainable employability
- respond to evidenced demand for second or subsequent level 2 qualifications where current qualifications held are out of date and no longer economically valuable in a changing economy
- stimulate higher levels of employer engagement in workforce development

### **Regional response**

**5.37** The North East will utilise ESF to address these issues and challenges by:

- recognising that mainstream funding provides a significant proportion of funding support, and so confining ESF support to where demand exceeds the availability of mainstream funding or requires a higher degree of flexibility
- targeting ESF resources where there are evidenced gaps in mainstream funding, encouraging skills development activities of economic relevance to the region, for example in the growth sectors identified through the New Industry New Jobs agenda (NINJA), including opportunities arising from the region's Low Carbon Economic Area and wind power industry, and those skills identified by Sector Skills Councils.
- Supporting the acquisition of Level 2 qualifications where this supports an individual who is at risk of being made redundant to retain employment.

### **Resource allocation**

**5.38** 33.4% of Priority 2 funding will be allocated to this category.

### **Indicative activities**

**5.39** The kind of activities that ESF may support includes the following (this list is not exhaustive):

- activities to support the achievement of 'first' level 2 training that enhances existing provision
- 'second' level 2 training for workers whose 'first' level 2 qualification is obsolete or irrelevant
- activities to support access to, and provision of, Apprenticeships
- training for volunteers on a vocational pathway to employment
- training for older workers in order to update their qualifications and skills and prolong their working lives
- training, mentoring and supporting men and women in occupations or sectors where their gender is underrepresented, in order to tackle gender segregation

- assessment and accreditation of the skills of migrant workers, whose existing qualifications obtained within their country of origin have no currency in the UK
- training for people who are, or want to become, self employed.

## Targeting

**5.40** ESF investment will be targeted at:

- individuals without a current relevant Level 2 qualification
- employees of companies of all sizes, particularly those ineligible for mainstream funding

## Level 3

### Key issues and challenges

**5.41** The North East faces the following issues and challenges:

- the North East economy exhibits many of the characteristics of a being caught in a 'low skills trajectory': where a lack of demand for, and supply of, intermediate and higher level skills is mutually reinforcing
- the region has relatively low levels of productivity, both compared with the UK and with other regions of the world.
- the RES identifies the need to develop management and leadership skills in order to boost productivity levels and as a gateway to improving wider investment in workforce skills.

### Regional response

**5.42** The North East will utilise ESF to address these issues and challenges through:

- utilising ESF to address market failure, where there are evidenced skill shortages or significant underrepresented groups within specific sectors or occupations (see example below)
- developing management and leadership skills within the region
- supporting the acquisition of level 3 learning or qualifications (either upskilling or re-skilling) where:
  - this supports an individual who is at risk of being made redundant to retain employment; or
  - this leads to the acquisition of economically relevant skills, particularly focused on the needs of employers. Particular regard should be given to the skills needs arising from growth sectors identified in the New Industry, New Jobs agenda, including skills needs within the region's Low Carbon Economic Area. For example, indications from analysis undertaken for the offshore wind sector are that some 7500 additional jobs will be required in the sector to 2019 covering production operatives, technicians, engineers and support staff.

## Resource allocation

- 5.43** 33.4% of Priority 2 funding will be allocated to supporting the achievement of level 3 qualifications (including Apprenticeships), and qualifications at Level 4 and above.

## Indicative activities

- 5.44** The kind of activities that ESF may support includes the following (this list is not exhaustive):
- measures to encourage the progression of workers who have recently gained level 2, through information, advice and guidance
  - training leading to level 3 qualifications in sectors where there are skills shortages at that level, focussing on innovative and flexible delivery, in small and medium sized enterprises.
  - training, mentoring and supporting men and women in occupations or sectors where their gender is under represented, in order to tackle gender segregation
  - training for those at risk of redundancy or who have been made redundant
  - training of childcare workers and other care workers whose role helps tackle the barriers faced by ESF target groups
  - developing the skills of managers and workers in small and medium enterprises (up to 250 people), including training and development in leadership, management, enterprise and technical skills needed for growth, innovation and productivity.

## Targeting

- 5.45** ESF investment will be targeted in the following areas:
- those priority sectors identified in the RES that are eligible for ESF. Particular regard should be given to the skills needs arising from the region's growth sectors identified in the New Industry, New Jobs agenda, including skills needs within the region's Low Carbon Economic Area.
  - individuals who are economically active, where the intervention will help them progress in employment
  - individuals at risk of being made redundant to retain employment or secure alternative employment and where this leads to the acquisition of economically relevant skills
  - groups including men, women and ethnic minorities where they are under-represented in their occupation or sector
  - small and medium enterprises where market failure (skill shortages) can be demonstrated.

## Level 4 and above

### Key issues and challenges

- 5.46** The North East faces the following issues and challenges:
- the Regional Economic Strategy and the Leitch Review of Skills place great emphasis on the need to support the development of world class skills and drive up demand from employers and individuals for higher level skills
  - However, ESF funding at Level 4 and above is only eligible for employees in businesses of up to 50 employees. This severely restricts the impact that ESF can have in addressing the region's low level of higher level skills and low skills trajectory, and therefore supporting the region's economic ambitions.

- there is a relative shortage of individuals with a level 4 qualification in the region
- there is a relatively low proportion of individuals participating in Higher Education, particularly from certain social groups and geographic areas.

## Regional response

**5.47** The North East will utilise ESF to address these issues and challenges through:

- a strong partnership commitment to focus ESF resources on supporting the attainment of higher level skills
- through high quality relevant information, advice and guidance, helping to drive up the demand for higher level skills from both individuals and employers, particularly employers in the RES priority sectors. This includes employers within the region's growth areas identified through the New Industry, New Jobs agenda including the Low Carbon Economic Area.
- encouraging projects which demonstrate complementarity with the region's higher level skills initiatives, to avoid duplication
- ensuring ESF does not displace private sector funding, encouraging a higher level of employer contribution to provision at Level 4.
- Supporting learning through flexible provision tailored to individual circumstances
- Developing appropriate provision in line with the region's growth sectors, in particular those identified through the New Industry, New Jobs agenda including the region's Low Carbon Economic Area and wind power industries. Particular regard should be given to the skills needs arising from growth sectors identified in the New Industry, New Jobs agenda, including skills needs within the region's Low Carbon Economic Area. For example, indications from analysis undertaken for the offshore wind sector are that some 7500 additional jobs will be required in the sector to 2019 covering production operatives, technicians, engineers and support staff.

## Resource allocation

**5.48** 33.4% of Priority 2 funding will be allocated to funding for Level 3, and Level 4 and above, qualifications. There is an expectation that financial contributions from employers and individuals will be greater at Level 4 than for lower level skills.

## Indicative activities

**5.49** The activities that ESF may support are:

- Activities to ensure that learning is delivered in a flexible way tailored to individual circumstances, for example through bite-sized learning, flexible modes of learning, and addressing barriers to access
- Providing high quality, relevant information advice and guidance so that individuals are able to make informed higher level skills development decisions
- The provision of 'taster' courses for level 4 learning where this fits with business need
- activities to prepare people from disadvantaged groups to access Higher Education (where it can be shown that this is additional and complementary to the activity of existing organisations and projects, e.g. Aim Higher)
- Level 4 training for trainers to enable delivery of activities that benefit ESF target groups, such as basic skills provision, where it can be shown that this is additional and complementary to the activity of existing organisations and projects (e.g. Lifelong Learning UK SSC is developing a national strategy for training trainers
- lifelong learning and training for managers and employees, particularly focused

on the following areas: developing leadership, management and enterprise skills in order to support enhanced, growth, innovation or productivity activities that are aimed at improving management and leadership skills in rural areas and the third sector, or that meet the skills needs of the RES priority sectors.

## **Targeting**

**5.50** Investment will be targeted in the following areas:

- Small enterprises (up to 50 employees)
- Those RES priority sectors that are eligible for ESF. Activity should focus upon the needs of the region's growth sectors, in particular those identified through the New Industry, New Jobs agenda including the region's Low Carbon Economic Area and wind power industries
- Groups that are under-represented in accessing HE provision.

## **6. INNOVATIVE ACTIONS**

**6.1** The ESF Operational Programme states that within Priorities 1 and 2 there would be a limited amount of funding available to support a small range of dedicated innovative activities. Following discussions between the Innovation, Transnationality and mainstreaming sub-committee and the European Commission, it was agreed that:

- All dedicated innovative projects would have a transnational or inter-regional dimension (ie at least one partner from another EU member state);
- Innovative and Transnational activity will be delivered through direct bidding outside of Co-Financing;
- Up to 2% of regional Priority 1 and 2 allocations for 2007 – 2010 will be available for innovative and transnational activity; and
- There would be up to three innovative and transnational projects per region.

**6.2** The Innovation, Transnationality and Mainstreaming subcommittee developed a menu of 6 themes:

- a) Active Inclusion (Priority 1)
- b) Engaging with Employers (Priorities 1 and 2)
- c) ICT and the Digital Divide (Priorities 1 and 2)
- d) Meeting New Challenges – Demographic Change (Older workers and Migration) (Priorities 1 and 2)
- e) Meeting New Challenges – Skills for Climate Change and Sustainable Development (Priority 2)
- f) Social Enterprise (Priorities 1 and 2)

**6.3** The North East has an allocation of £1,279,374 in Priority 1 and £701,592 in Priority 2. It was also stipulated by the Managing Authority that there would be no more than three projects per region in 2007 – 2010 and that there could be up to around £1million ESF funding per project. However, applicants must provide at least 50% match funding.

**6.4** In October 2007 the ESF Regional Committee selected the following themes under Priority 1: Active Inclusion; and Engaging with Employers.

**6.5** It also selected the following theme under Priority 2: Meeting new Challenges - Demographic Change (Older workers and Migration).

**6.6** Six applications were submitted and appraised in early 2009. The ESF Regional Committee endorsed three projects selected for approval in February 2009.

**6.7** Thematic networks have been set up to facilitate cross-regional working; capture and share best practice; link practice with policy; facilitate engagement with key policy makers and specialists; and foster mainstreaming and dissemination.

**6.8** The Managing Authority are currently taking stock of the innovation strand of the Programme so far and discussing options for taking it forward into the second half of the Programme.

## **7. CROSS CUTTING THEMES**

**7.1** The ESF Programme for 2007-13 will implement two cross cutting themes: equal opportunities and sustainable development. These will be integrated into all ESF activity at CFO and project level.

### **Equal Opportunities**

**7.2** The purpose of this section is to identify some of the equal opportunities issues facing the region and to make recommendations for priority action that can be taken forward in CFO delivery plans.

**7.3** National mainstreaming guidance developed by ESFD in partnership with DWP, Jobcentre Plus and the LSC will inform the general mainstreaming arrangements for project procurement and contract management as well as reporting systems.

**7.4** Public bodies have a duty under legislation to promote equality. All regions have been set equal opportunities targets for minimum levels of inclusion in order to meet national output and result indicators. Targets for the North East are shown in Section 7. In addition, the Equality Bill currently before Parliament will – if passed into law – place a duty on public agencies to exercise their functions “in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage”.

**7.5** The North East RES partners have established an Equality and Diversity Board, which brings together key partners from the private, public and third sectors and representatives from equality groups. The Board’s Equality and Diversity (E&D) Action Plan will focus and coordinate activity to support equality and diversity groups (including black and minority ethnic (BME) groups, women, older people and young people, people with disabilities, faith and sexuality groups, migrants and (ex-)offenders).

**7.6** The plan will:

- encourage participation of under-represented groups in the labour market;
- increase the pace of E&D engagement within public sector organisations;
- increase awareness and engagement of E&D within private sector organisations;
- ensure that the procurement process effectively takes account of the E&D agenda for clients and suppliers;
- build on and develop skills within equality groups, in particular to fill identified skills gaps within the regional economy;
- develop enterprise initiatives in order to increase entrepreneurialism amongst particular equality groups.

**7.7** Prospective providers will be expected to demonstrate as part of the tendering process how they will ensure equality of opportunities and reflect the objectives outlined above. This might include, for example, demonstrating that they have undertaken an Equality Impact Assessment of their planned activities (e.g. desk based analysis of target beneficiary group); having in place an organisational Equality and Diversity policy; evidencing the organisation’s commitment to – and understanding of – current equality and diversity legislative requirements.

**7.8** The Regional Employability Framework (REF) recognizes that different neighbourhoods need a different mix of solutions depending on the reasons for their high levels of worklessness and there is a need for interventions to be sustained over time. Equally, the impacts and characteristics of worklessness differ significantly for different groups of people. People all too often experience disadvantage as a consequence of their age, disability, gender, race, religion or

belief, or sexual orientation. In order to ensure both equality of outcome and opportunity for all, more targeted interventions may be necessary.

- 7.9** Some of the key equal opportunities challenges for the region are summarised below, by theme.

### **Age**

- 7.10** Within the North East there are more than 928,000 people over 50 years of age, (36% of the population). 53% of this group are aged between 50 and 64 (491,700). The economic inactivity rate of those aged between 50 and retirement age is over double that of those aged 25-49 (31.4% against 15.2%). However, it is lower than the rate of those aged 16-24 (31.4% against 33.3%). In addition, the economic inactivity rate of the over 50s (31.4%) is higher than the average across England (25%). This reflects the process of industrial restructuring in the North East, which means that some older people who have become economically inactive have no skills or out-of-date skills, leading to difficulties re-entering the labour market.
- 7.11** The North East also has the highest proportion of Incapacity Benefit claimants of all the English regions (8.7%, compared to 6.3% across GB), of whom 51% are aged over 50. Using 50-59 as an age group (to control for the difference in default retirement age) women constitute 49% of those claiming Incapacity Benefit. A static analysis suggests that IB claimant numbers in those 50+ will fall by 15,700 by 2013 (a reduction of 22% based on current stock of 70,000). ESF will support measures to engage this target group, for example through community outreach programmes.
- 7.12** There is considerable scope to increase participation rates among economically inactive people aged over 50 in the North East. ESF could provide a catalyst for this, and CFO plans should encourage initiatives that deliver skills and employment interventions to this target group. In Priority 1 this might include (for example): volunteering initiatives; promotion of Skills for Life; advice and support, etc. Priority 2 measures might include training for older workers to update their skills and qualifications in order to prolong their working lives.

### **Gender**

- 7.13** Both male and female inactivity rates in the North East are greater than their counterparts across Britain. The female inactivity rate is 5.7 percentage points greater than that for males (at 26.1% and 20.4% respectively). While female inactivity rates have reduced over the last three years, from 28.7% in 2006, male inactivity rates have remained static.
- 7.14** Between 2004 and 2009 the gap between male and female employment rates in the North East has reduced by 2.8 percentage points. This is greater than the 1.5 percentage points change noted nationally. The gender pay gap remains significant, with women in the North East earning just 63.5% of male earnings, based on annual or weekly mean earning. This figure goes up to 77.7% if hourly earnings data are used, reflecting the higher proportion of women that work part-time.
- 7.15** While the overall employment rate for women is close to that for men, women are over-represented in part time work and lower paid occupations, in part due to issues around childcare or other dependent care responsibilities and working patterns that are not family friendly. ESF will be available to support the training of childcare workers and other care workers whose role helps to tackle the barriers faced by ESF target groups.

## Women and men into non-traditional occupations and sectors

- 7.16** The North East workforce is composed of 54% men and 46% women. Whilst overall the gender balance of the regional workforce seems to be moving towards closer alignment, there are significant disparities in gender in both sectors and occupations.
- 7.17** In 2007, women in employment in the North East were underrepresented in Construction and in Manufacturing; overall these industries accounted for 18.2% of those in employment, but for only 6.7% of women in employment. Conversely, men were underrepresented in Health and social work and Education; these industries accounted for 23.9% of those in employment, but for only 12.9% of men in employment. According to Working Futures 2007-2017, growth in the North East is forecast to be strongest in *business & other services* and decline most severe in *manufacturing*. Overall, Working Futures 2007-2017 projects a net increase in employment of 25,000 for males and 20,000 for females.
- 7.18** The regional workforce is also segregated at an occupational level. The gender trends across the 9 Major Occupational Groups<sup>5</sup> reflect the national trend. For example, in both the North East and GB overall, a disproportionate number of people employed in MOGs 1,2,5 and 8 are male and a disproportionate number of people employed in MOGs 3,4,6 and 7 are female (MOG 9 is evenly distributed). Females in the North East have higher than GB average shares in *personal service occupations* and *sales and customer services occupations* (MOGs 6 and 7).
- 7.19** CFO plans should encourage providers to support the recruitment of women and men into non-traditional occupations and sectors. In particular, activities should be encouraged that help economically inactive men into the service sectors, where they are underrepresented. ESF Priority 2 can be used to support training and/or mentoring for men and women in occupations or sectors where their gender is under-represented in order to contribute towards gender equality in these areas.

## Ethnicity

- 7.20** The overall percentage of working age non-white people in the North East is 4.2%, which equates to 66,000 people. This is appreciably lower than the national average of 11.6%. Non-white groups typically display lower employment rates compared with their white counterparts. The employment rate of working age non-white people in the North East is 51.9%, compared to 71.3% of white people. This picture can vary within disadvantaged areas and for different ethnic groups.
- 7.21** The economic inactivity rate of BME groups in the region is higher than the white population. The difference is greater between women – 1 in 2 BME women are economically inactive, compared to 1 in 4 white women. Amongst men, 1 in 3 BME men are economically active, compared to 1 in 5 white men. Between 2002 and 2008, the employment rate of BME people fell in the North East. Over this same time period, employment rates in other equality groups (females, 50-RA and people with disabilities) all increased. Provider organisations should be encouraged by CFOs to adopt more tailored or imaginative ways of encouraging women from these communities to learn new vocational or basic skills (including English for Speakers of Other Languages) to help them access the labour market.
- 7.23** Provider organisations should be encouraged by CFOs to address ethnicity in a tailored way, rather than regarding Black and Minority Ethnic (BME) as a single group and taking a broad approach to improving skills and employment. Existing intelligence from tools such as the Factor Intensity Matrix developed by the

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<sup>5</sup> 1) Managers & Senior Officials; 2) Professional Occupations; 3) Associate Professional & Technical Occupations; 4) Administrative & Secretarial Occupations; 5) Skilled Trades Occupations; 6) Personal Service Occupations; 7) Sales & Customer Service Occupations; 8) Process, Plant & Machine Operatives; 9) Elementary Occupations.

University of Northumbria<sup>6</sup> takes twenty-two specific groups (categorised by ethnic group, gender, and whether they are an established or emerging group), and ten possible barriers to work e.g. childcare, family commitments, lack of language skills and sets their findings against the stages of the REF Customer Journey. CFOs should encourage providers to demonstrate how delivery proposals address the specific issues raised in the Matrix to help support individuals into and/or retain employment.

## Disability and Health

- 7.24** The North East has a higher than average proportion of people of working age who are disabled. Nearly 22% of people of working age in the North East are disabled, compared to 18% for England. The proportion of men and women who are disabled is almost identical.
- 7.25** Life expectancy is 1.5 years below the average across England, placing the region in the worst performing quartile. The North East is also in the worst performing quartile across a selection of public health outcomes, including *hospital stays related to alcohol, smoking in pregnancy and early deaths caused by cancer*.<sup>7</sup>
- 7.26** In the North East, 49.4% of people with disabilities are economically inactive, compared with 43.3% across England. This disparity has narrowed since 2007 by 2.3 percentage points.
- 7.27** Given the high proportion of people in the North East who are disabled, co-financing organisations should give particular attention to targeting this group. It should be noted that not all disabilities are 'visible': for example, many people are economically inactive due to mental health problems.
- 7.28** Many people with disabilities will face multiple barriers, such as age and possibly low skills as a result of previous exclusion from training and employment. Appropriate training and support should be tailored for people with disabilities and health problems, and a positive attitude amongst employers should be encouraged. ESF can support targeted training in both Priorities, via measures to tackle the practical barriers to learning or employment (e.g. accessibility issues such as transport). Individual action plans and personalised services in line with the Regional Employability Framework can also provide a useful vehicle to help address the specific barriers faced by individuals with disabilities.

## Sustainable development

- 7.29** The sustainable development theme in ESF has been defined as follows<sup>8</sup>: providing opportunities to allow everyone to fulfil their potential environmental protection and enhancement through the delivery of projects providing skills that businesses both demand and require; now and in the future.
- 7.30** The national guidance developed by ESFD in partnership with the LSC, DWP and Jobcentre Plus will help ensure mainstreaming of sustainable development in the procurement and contract management process, as well as ensuring that environmental considerations are taken in delivering the ESF activities.
- 7.31** In the North East, the principles of sustainable development are integral to the delivery of the RES Action Plan across the themes of Leadership, Business, People and Place. A primary aim of the RES Action Plan is to ensure that efforts to boost economic growth go hand in hand with efforts to mitigate the adverse impact of growth on the environment and to create a more inclusive region. This includes:

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<sup>6</sup> Closing the Ethnic Employability Gap in the North East (2009), Welamedage et al.

<sup>7</sup> [http://www.nepho.org.uk/securefiles/091016\\_1321/HealthProfile2008-NorthEast.pdf](http://www.nepho.org.uk/securefiles/091016_1321/HealthProfile2008-NorthEast.pdf)

<sup>8</sup> ESF 2007-2013 Operational Programme  
2007-13 NE ESF Framework Revised Nov 2009

- a commitment to work in partnership to improve leadership around the issue of sustainable development including investing in SustainE as the region's advocate for sustainable development;
- specialist business support for encouraging resource efficiency, a strong focus on the development of low carbon technologies and renewable energy;
- activities to improve access to employment from the most disadvantaged communities and promoting equality and diversity across the region;
- incorporating sustainable development principles and best practice in the planning, management and design processes of regeneration schemes, a focus on demand management and energy usage in transport schemes;
- a focus on enhancing and protecting our natural, heritage and cultural assets.

**7.32** Where possible, these RES priorities for sustainable development should be reflected in ESF activities. All ESF projects should be delivered in a way that uses energy and resources efficiently and in ways that help to preserve the environment.

**7.33** Co-financing plans will set out in more detail how the principles of sustainable development will be integrated.

### **Equal opportunities and sustainable development support projects**

**7.34** A national ESF Technical Assistance (TA) equal opportunities mainstreaming project is being delivered by ECOTEC/Freeney Williams. The project has delivered a number of workshops for the managing authority and CFOs. ECOTEC has formally presented the aims of the project and indeed updated the ESF Committee on the latest equality issues and policy developments.

**7.35** A further national sustainable development mainstreaming TA project was launched in October 2008 to provide tailored training to both the Managing Authority and CFOs. The project is being delivered by ECOTEC/Action Sustainability. The project is also producing stand-alone good practice guidelines which will be of practical help to providers as they develop their sustainable development policies and implementation plans.

**7.36** Annual progress reports on both cross cutting themes have been drafted. The reports will be presented to the England and Gibraltar Programme Monitoring Committee and circulated to the ESF Committee.

## **8. REGIONAL FINANCIAL ALLOCATIONS**

See Annex A

## **9. OUTPUTS AND RESULTS**

See Annex B

## **10. IMPLEMENTATION**

### **Ownership and Review of the North East ESF Strategy**

- 10.1** The ESF Managing Authority oversees the development of regional ESF frameworks. The Managing Authority comprises central (ESF Division) and regional (Government Office) teams.
- 10.2** A regional task and finish group chaired by the Regional Employment and Skills Partnership was convened to draft this updated Framework in consultation with regional stakeholders. The Framework will be formally presented to the ESF Regional Committee following endorsement of the final draft in December 2009.
- 10.3** Through the Regional ESF Committee, the Managing Authority ensures that frameworks are reviewed annually and updated where necessary to ensure their continued relevance. The Managing Authority consults the regional committee on revisions to the framework.
- 10.4** The Regional Managing Authority team will co-ordinate further revisions of the regional ESF framework, working closely with the Regional Employment and Skills Partnership and the regional CFOs, including the National Offender Management Service (NOMS).

### **Preparation of Co-Financing Organisation (CFO) Delivery Plans**

- 10.5** The Regional ESF Framework informs the plans of Co-financing Organisations (CFOs), which procure and contract manage ESF operations. The Framework enables CFOs to ensure that their procurement arrangements for ESF reflect regional employment and skills needs and complement domestic employment and skills funding.
- 10.6** CFOs will be expected to reflect the updated Regional ESF Framework strategy and priorities when preparing their delivery plans, in order to encompass the underpinning principles of ESF. The CFO plans will cover a three year period from January 2011 and will be reviewed during this time to assess performance.
- 10.7** CFO delivery plans will also be expected to make very clear that the activities they support must reflect the principles and approach set out in the RES and REF. The Regional ESF Committee will retain responsibility for ensuring that co-financing arrangements reflect and embed the implementation and evaluation arrangements for the REF. Within reason, and where possible, co-financing arrangements may need to evolve to reflect the ongoing development and implementation of the REF.
- 10.8** CFOs should ensure that their plans take account of relevant programme evaluations, at both a regional and national level. The CFO Plans should build upon good practice from the 2007-2010 plans and subsequent delivery mechanisms. In particular, the REF delivery principles should lie at the heart of how all services across the ESF Programme are designed and delivered. This includes ensuring that when services undergo an evaluation the extent to which they are being delivered in line with the requirements of the REF is examined. As a result CFOs should embed the criteria set out in the

**10.9** By implementing the evaluation approach described in the guide CFOs and Providers will be making a direct contribution to efforts to improve the quality and impact of services across the region by:

- Supporting the delivery of a more consistent, REF compliant service;
- Better understanding outcomes and impacts that result from a genuine REF approach;
- Identifying good practice in service delivery;
- Understanding how the REF and the region's approach to ESF can be refined to improve impact and effectiveness;
- Using evaluation results to inform future funding decisions to ensure the continued added value of ESF.

#### **Use of technical assistance**

**10.10** The requirements for the use of Technical Assistance (TA) by Member States are identified in Article 46 of Council Regulation 1083/2006. TA funds will be available to finance the preparatory, management, monitoring, evaluation, information and control activities of the Operational Programme and in turn the North East ESF Framework. This will include the Programme's publicity and communication strategy, support for cross-cutting themes of gender equality and equal opportunities and sustainable development.

**10.11** TA will also be available to third sector networks to support participation by voluntary and community organisations in the Programme.

**10.12** The ESF Regional Committee endorsed a regional TA Strategy in January 2008. The strategy will be reviewed in 2010 by the regional managing authority to ensure it remains in line with the national TA strategy for the second half of the programme.

**10.13** The Operational Programme currently allocates 4% of Regional Competitiveness and Employment funding to Priority 3 technical assistance. For 2011-2013, the Managing Authority issued guidance allowing regions to re-allocate 3% to Priority 1 and/or 2 allocations for 2011-2013.

**10.14** The ESF Regional Committee has agreed to move 3.5% of the regional TA allocation into Priority 1. These funds will be utilised for NOMS type activity. The ESF national PMC agreed this proposal on 4th November 2009.

**10.15** The region has retained 0.5% of its TA allocation for the period 2007-2013. Further TA allocations may be requested from a national pool if required.